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## FISCAL IMPACT REPORT



SPONSOR: Lujan DATE TYPED: 01/31/02 HB 269

SHORT TITLE: Medicaid Services Reimbursements SB \_\_\_\_\_

ANALYST: Dunbar

### APPROPRIATION

| Appropriation Contained |      | Estimated Additional Impact |           | Recurring or Non-Rec | Fund Affected          |
|-------------------------|------|-----------------------------|-----------|----------------------|------------------------|
| FY02                    | FY03 | FY02                        | FY04      |                      |                        |
|                         |      |                             | \$2,600.0 | Recurring            | General Fund           |
|                         |      |                             | \$7,800.0 | Recurring            | Medicaid Federal Funds |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 241 and SB 9

### SOURCES OF INFORMATION

#### Responses Received From

Human Services Department (HSD)

### SUMMARY

#### Synopsis of Bill

House Bill 269 amends a section of the NMSA 1978 to allow the Human Services Department to set the reimbursement rates for services rendered by physicians, dentists, optometrists, podiatrists and psychologists to Medicaid patients at not less than 95% of the corresponding rates reimbursable under Part B of Title 18 of the federal Social Security Act. The bill also amends the exclusions of Managed Care Organizations from the reimbursement rate. The effective date of implementation is July, 1, 2004.

#### Significant Issues

The reimbursement rate will be pegged to Part B of Title 18 of the federal Social Security Act and may need to be adjusted on a yearly basis effective July 1 2004.

HSD, reports that Medicaid's ability to control managed care costs would be significantly weakened because HB 269 would affect Medicaid's capacity to negotiate contracts with providers MCOs. HSD further states that existing market conditions in the New Mexico healthcare industry presently force MCOs to maintain fairly comparable reimbursement rates to the rate Medicaid pays fee-for-service providers and programs.

### **FISCAL IMPLICATIONS**

Although there is no appropriation in HB 269, the projected appropriation needed from the General Fund would be increased by a minimum of \$2.6 million. Federal fiscal year 2004 revenues from the federal Medicaid program would be increased by a minimum of \$7.800.0. HSD indicates that HB 269 would increase costs to Medicaid automatically every year and could adversely affect cost containing efforts in the Medicaid program. Medicaid expenditures for physician services in state fiscal year 2003 are estimated to be at \$196 million. Dental service expenditures on the fee-for-service side are estimated to be at \$10.3 million in state fiscal year 2003. Medicare rate increases or decreases for healthcare professionals since 2000 are unknown.

### **ADMINISTRATIVE IMPLICATIONS**

Recalculating reimbursement rates annually would add an administrative function to the Medical Assistance Division, Benefit Services Bureau (fee for service programs) and for the MCOs.

### **RELATIONSHIP**

HB 269 is a companion to SB 241. SB 241 differs only in that the rates would be set at the beginning of each state fiscal year. HB 269 relates to SB 9 which would appropriate \$4,000.0 to increase Medicaid physician payments to 100% of the Medicare rate, beginning July 1, 2002.

BD/njw:ar